



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

DEGREE

BAC 4250: FINANCIAL ACCOUNTING 2

SUPPLEMENTARY EXAMINATION

SERIES: NOV. 2022

TIME: 2 HOURS

DATE: Pick Date Nov 2022

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of **FIVE** questions. Attempt question ONE (Compulsory) and any other TWO questions.

Do not write on the question paper.

Question ONE

Nalid, Hafim and Gabil are in partnership sharing profits and losses in the ratio of 3:2:1 respectively.

The following Trial Balance of the partnership as at 31 December 2021.

Capital Accounts	Sh.	Sh.
Nalid		360,000
Hafim		240,000
Gabil		120,000
Current Accounts:		
Nalid		14,000
Hafim	10,000	
Gabil		16,000
Stock as 1 January 2021	400,000	
Bank balance	50,000	
Debtors	460,000	

Bad debts provision at 1 January 2021		20,000
Creditors		700,000
Depreciation at 1 January 2021		
Land and Buildings		230,000
Motor vehicles		160,000
Drawings:		
Nalid	80,000	
Hafim	60,000	
Gabil	60,000	
Land and Building at Cost	1,200,000	
Motor vehicle at Cost	400,000	
Office expenses	80,000	
Purchases	1,700,000	
Rates	80,000	
Sales		3,000,000
Selling expenses	280,000	
	<u>4,860,000</u>	<u>4,860,000</u>

You have also been provided with the following information.

1. Stock at 31 December 2021 sh. 600,000
2. Fixed assets are written off at the following rates:
 - Land and Building 5% per annum at cost
 - Motor vehicles 20 % per annum on cost
3. Rates prepaid at 31 December 2021 sh. 40,000
4. Bad debts amount to sh. 10,000 were to be written off and bad debts provision to be adjusted to 5% of the outstanding debtors at 31 December 2021.
5. At 31 December 2021 sh. 35,000 was outstanding in respect of selling expenses.
6. According to the partnership agreement
 - Gabil is to get salary of sh.120,000 per annum.
 - Interest of 10% per annum is to be allowed on the partners' capital accounts balances.
 - No interest is to be allowed on partners current accounts and no interest is to be charged on drawings.

Required:

- a. The partners' trading, profit and loss and appropriation account for the year ended 31 December 2021. (10Marks)
- b. Partners' current accounts for the year ended 31 December 2021 and bring down the balances at 1 January 2022. (10Marks)
- c. The Partnership Balance sheet as at 31 December 2021. (10Marks)

(30 Marks)

Question TWO

- (a) State and briefly explain any three distinguishing features between
 - (i) A receipts and payments account and
 - (ii) An income and expenditure account. (6 marks)

(b) The accountant of Nairobi Country Club has extracted the following information from the books of account for the year ended 31 March 2021:

Receipts	Kshs.	Payments	Kshs.
Balance b/d	288,000	Salaries and wages	254,000
Subscriptions:		New equipment	565,000
Year 2019/2020	249,000	Receipts and maintenance	124,000
2020/2021	2,050,000	Office expenses	415,000
2021/2022	194,000	Printing and stationery	168,000
Dinner dance	723,000	Purchases of beverages	497,000
Beverage sales	657,000	Dinner dance expenses	315,000
Investment income	400,000	Refund of subscriptions	45,000
		Sports prizes	25,000
		Transport	248,000
		Investments	1,500,000
		Balance c/d	405,000
	<u>4,561,000</u>		<u>4,561,000</u>

Balances as at	31 March 2020	31 March 2021
	Shs.	Shs.
Furniture and fittings (net)	240,000	
Equipment (net)	690,000	
Investment at cost	3,500,000	
Subscriptions in arrears	300,000	375,000
Salaries accrued	68,000	72,000
Stock of beverages	162,000	184,000
Subscriptions in advance	85,000	

Additional information:

1. Subscription; in arrears are written-off after twelve months.
2. Depreciation is provided for on reducing balance method at 10% and 20% per annum on furniture and fittings and equipment respectively.
3. Investments which had cost Sh.500,000 were sold on 30 March 2021 for Sh.625,000. No entries have been made in the books in this respect.

REQUIRED:

- (a) Income and expenditure account for the year ended 31 March 2021. (8 Marks)
- (b) Balance sheet as at 31 March 2021. (6 Marks)

(20 marks)

Question THREE

Ajab Ltd are manufacturers. At the end of their accounting year, 30 April 2020, the following information was available:

Stocks, 1 May 2019	Kshs.
Raw materials	17,500
Finished goods	24,800
Work in progress	15,270
Wages and salaries	
Factory direct	138,500
Factory indirect	27,200
Purchases of raw materials	95,600
Power and fuel (indirect)	18,260
Sales	410,400
Insurance	3,680
Returns inwards (finished goods)	5,200
Stocks, 30 April 2020	
Raw materials	13,200
Finished goods	14,600
Work in progress	15,700

Additional information:

- The company's machinery cost kshs.82,000 and the provision for depreciation 1 May 2019 was kshs.27,000. Machinery is to be depreciated by 20% per annum using the reducing balance method.
- Fuel and power kshs.390 is in arrears at 30 April 2020; at the same date insurance kshs240 is prepaid.
- Insurance is to be allocated: 5/8 factory; 3/8 administration.

REQUIRED:

(a) A manufacturing account for the year ended 30 April 2020, showing clearly:

(i) cost of raw materials consumed (4 marks)

(ii) prime cost (4 Marks)

(iii) total cost of production. (4Marks)

b) A trading account for the year ended 30 April 2020 showing clearly

i. Cost of sales of finished goods (4 Marks)

ii. Gross profit (4 Marks)

(20 marks)

Question FOUR

(a).The trial balance extracted from the books of Mgeni Ltd at 31 December, 2018 was as follows:

	Kshs.	Kshs.
Share capital		100,000
Profit and loss account 31 December 2017		34,280
Freehold premises at cost	65,000	
Machinery at cost	55,000	
Provision for depreciation on machinery as at 31 December 2017.		15,800

Purchases	201,698	
Sales		316,810
Wages and salaries	54,207	
Rent	4,300	
Lighting expenses	1,549	
Bad debts	748	
Provision for doubtful debts as at 31 December 2017		861
Debtors	21,784	
Creditors		17,493
Stock in trade 31 December 2017	25,689	
Bank balance	<u>23,101</u>	<u> </u>
	<u>485,244</u>	<u>485,244</u>

You are given the following additional information:

- (i). The authorized and issued share capital is divided into 100,000 shares of shs.1 each.
- (ii). Stock in trade at 31 December 2018, shs.29, 142.
- (iii). Wages and salaries due at 31 December 2018 amounted to shs.581
- (iv). Rent paid in advance at 31 December 2018 amounted to shs.300.
- (v). A dividend of shs.10, 000 is proposed for 2018.
- (vi). The provision for doubtful debts is to be increased to shs.938.
- (vii). A depreciation charge is to be made on machinery at the rate of 10 per cent per annum on cost.

Required:

- (i). The trading Profit and Loss Account for the year ended 31 December 2018. **(8 Marks)**
- (ii). A balance sheet as at that date. **(6 Marks)**

- (b). State the main features distinguishing the final amounts of a partnership from those of a limited liability company. **(6 Marks)**

(Total: 20 Marks)

Question FIVE

It is said that the objective of financial statements is to provide information about the financial performance and financial adoptability of an enterprise that is useful to a wide range of users.

Required:

List FIVE potential users of company financial statements, and briefly explain for each why they need information about the company. **(20 marks)**